Interest rate on farm loan

†257. PROF. M. M. AGARWAL: Will the Minister of FINANCE "be pleased to state:

(a) whether Government have taken necessary steps regarding reducing the interest rates on agricultural loans keeping in view the financial condition of the farmers;

(b) if so, the details thereof; and

(c) if not, the reasons therefor and the details of the latest policy of Government in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM): (a) to (c) Interest rate in banks have been deregulated and Boards of banks are free to determine the rates. Since July, 2003 Public Sector Banks have reviewed and revised downward interest rates on crop loans upto Rs. 50,000 to 9%. Subsequently, the Public Sector Banks reviewed the position and further reduced the interest rate to 8.5%. Now, the interest on loans upto Rs. 2 lakhs on agriculture lending is 2% to 2.5% below the Benchmark Prime Lending Rate (BPLR) of most of the banks. The BPLR of the public sector banks with effect from 1 st January/February, 2004 have been in the range of 10% to 11.5%. For loans above Rs. 2 lakhs, banks determine their rate based on their commercial judgement taking into consideration cost of funds, Non-Performing Assets, transaction cost, etc.

Sale of RBI shares in NABARD

258. SHRI S. M. LALJAN BASHA: Will the Minister of FINANCE be pleased to state;

(a) whether it is a fact that the Reserve Bank of India has expressed its desire to sell its total share in NABARD to Government or some other agency;

(b) what is the value of the present share-holding of RBI in NABARD;

(c) what are the reasons for RBI's proposal to sell its shares in NABARD;

(d) whether Government are considering the request of RBI; and

† Original notice of the question was received in Hindi.

(e) whether any decision has already been taken in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM): (a) Yes, Sir.

(b) The present value of RBI holding in NABARD is Rs. 1450 crores.

(c) RBI has suggested that based on Narasimham Committee Report, it would be appropriate that RBI should not own the institutions it regulates. This would enable RBI to concentrate more on its Regulatory and Supervisory functions.

(d) Yes, Sir.

(e) No, Sir.

Withdrawal of RBI equity in SBI

259. SHRI S. M. LALJAN BASHA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Reserve Bank of India has decided to withdraw its equity in the State Bank of India;

(b) if so, the reasons therefor;

(c) whether Government have studied this proposal;

(d) whether it will be in the public interest to allow RBI to withdraw from holding equity in State Bank of India; and

(e) if so, the steps proposed to be taken to stop RBI from withdrawing from the ownership of State Bank of India?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM): (a) and (d) Yes, Sir. RBI has proposed to transfer its holding in SBI to Government of India.

(b) RBI has suggested that based on Narasimham Committee Report, it would be appropriate that RBI should not own the institutions it regulates. This would enable RBI to concentrate more on its Regulatory and Supervisory functions.

(c) Yes, Sir.

(e) Does not arise.